

TESTIMONY OF DERRICK JOHNSON, STATE PRESIDENT MISSISSIPPI NAACP

Housing Subcommittee on Housing and Equal Opportunity

February 28, 2006

Chairman Ney, Ranking Member Waters, and members of the Committee, I would like to thank you for inviting me to speak with you today about the Fair Housing issues facing the Mississippi Gulf Coast. Founded in 1909, the NAACP is the nation's oldest and largest civil rights organization. The Mississippi State Conference NAACP has been active in providing Civil Rights advocacy for over 60 years and has a mission to ensure the political, educational, social and economic equality of rights of all persons and to eliminate racial hatred and racial discrimination.

Shortly after Katrina hit the Mississippi Gulf Coast, the MS-NAACP received calls alerting us that predominately-low income and African American neighborhoods were not receiving aid from the Red Cross and other relief agencies. Days after the storm came ashore, food, clothing and cleaning supplies donations piled up in parking lots of white affluent neighborhoods. But it took weeks for private relief agencies and FEMA to establish a presence in poor and African American neighborhoods. MS-NAACP responded by soliciting and coordinating donations of food, water, clothes and cleaning supplies. We organized the logistics of distributing these donations to ensure that they reached the neediest. Our Katrina relief efforts served at least 50,000 affected residents.

On January 9, 2006, MS-NAACP held a State Legislative Gap Analysis Convening gathering stakeholders discussed state housing public policy Pre-Katrina and identified potential policy gaps in preparation for the 2006 legislative session. Participants included local and national housing experts, state and local advocacy groups, legislatures, and community stakeholders. As result of this convening we identified several policy gaps that would lead to ongoing housing discrimination for African-American and low income individuals.

The Governor's Commission Report, of which I served as a Vice-Chair, included preliminary data on housing damaged by the storm and noted that, although all people

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were struck by the storm, lower-income households were more likely to lose their homes, due to a greater likelihood of living in older properties.

The storm has further eliminated affordable housing on the coast. And a wave of evictions and rent gouging threatens to exacerbate the displacement of low- and moderate-income families from their coastal communities. We have already seen eviction cases clogging the justice courts, and TV news stories covering tenants in low-income developments threatened with eviction to make way for higher rents.

Additionally, low- and moderate-income homeowners in some communities face fights with their insurers to receive coverage, or receive settlements adequate to make needed repairs.

And while these problems face all low- and moderate-income owners and renters, they are of particular concern to African-American communities – particularly historic coastal communities like the Turkey Creek, North Gulfport and Forest Heights communities in Gulfport, and in East Biloxi – that were already dealing with decades of exclusion and disinvestments before the storm.

If the housing problems faced by these groups are not addressed, we fear that the storm and the government's response may permanently displace a large number of African-American and lower-income people. We fear that those able to stay and return will no longer recognize their communities, as gentrification pushes people of color out.

Fair Housing: Mississippi does not have a Fair Housing Act resulting in housing discrimination going unchecked in many instances. Housing discrimination can be subtle – and all too often goes unreported since the victims may not even know they are being discriminated against – they are simply told a house or apartment has already been rented, or offered a different rent than other applicants. Importantly, the lack of

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state and local fair housing agencies means that victims of discrimination are also not aware that there are options to enforce the law, or lack the resources to do testing or otherwise investigate claims of discrimination. A state law creating these enforcement and testing agencies, funded by either state or federal money, could make a tremendous difference in making prospective buyers and renters aware of their rights – and owners aware of the law.

CDBG: As you are aware, in December 2005, Congress provided Mississippi with over \$5 billion in Community Development Block Grant (CDBG) funds. Because of the discretion provided to states, however, there is no guarantee that any of the housing funding will be used in ways that benefit low- and moderate-income homeowners, or that do anything to create or rehabilitate rental housing affordable to the poorest and most vulnerable families displaced by the hurricane. Nor does the proposed plan make any provisions for individuals with disabilities. This would be the greatest tragedy and example of housing discrimination of all – especially since the Governor's Commission Report identifies both as significant needs since Katrina.

THE MOST VULNERABLE COAST RESIDENTS WILL BE EXCLUDED

Under the Governor's proposed plan homeowners who meet the following criteria, will be eligible for grants of up to \$150,000:

- 1.) Owner-occupied Homes
- 2.) Home must be outside the flood zone
- 3.) Home must have had regular homeowner insurance before Hurricane Katrina
- 4.) No Flood insurance

The Governor's plan fails to provide support for senior citizens who may have owned their home but were on a fixed income (i.e. social security) and could not afford

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insurance, senior citizens who lived in an affordable housing complex, home renters, or residents that lived in an affordable or subsided housing complex that was destroyed

The CDBG funds do not, however, need to be used in the manner the Governor proposed. Though the federal appropriation must be administered by an entity chosen by the Governor of each state, nothing in federal law requires that the funds be spent on any particular program. We strongly believe that the funds should prioritize those most in need and that the Secretary of HUD should not waive the 50% requirement that funds support low- and moderate-income individuals. Not only is that requirement already reduced from the 70% normally required of CDBG funds, it ignores the disproportionate funds and resources – such as the SBA loan program – that already benefit middle and upper-income households, but have rejected lower-income homeowners at staggering rates.

HOMEOWNER COUNSELING SHOULD BE REQUIRED TO PREVENT PREDATORY PRACTICES

Even under the Governor's proposal there is great concern that low-income homeowners will be disadvantaged without mandatory Homeowner counseling. For those who are eligible for the homeowner grant the process will occur in the following manner:

- A private entity will determine eligibility for receipt of CDBG funds under the direction of Mississippi Development Authority
- Those who are deemed eligible will receive a check up to \$150,000
- The check will require two signatures, one from the homeowner and one from the lender that holds the mortgage
- Homeowners will have the option to "opt out" of homebuyer / construction counseling

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POTENTIAL ISSUES:

- 1) What consumer protections are in place to ensure that banks will work with their customers to do what is best for the customer and not best for the bank?
 - o i.e. paying off the mortgage with no funds left to rebuild
- 2) What consumer protections will be put in place to prevent predatory lenders from stripping the equity out of homes that are paid off through this process through refinance schemes?
- 3) What protections will be in place to prevent unscrupulous or fraudulent contractors from taking tax payer money out of the hands of those who need it to rebuild?
- 4) Rebuilding must now meet stringent codes – how will the disabled be able to rebuild to code?
- 5) No provision for renters and the majority of renters are people of color

PROPOSED RECOMMENDATIONS:

- On the first three issues, a strong, funded counseling component that informs check recipients of their rights and consumer protections and identifies eligible uses for the funds;
- On the second two issues, money must be set aside to ensure that the rights of people with disabilities are not violated through inadequate program design and that affordable housing is replaced on a 1:1 basis.

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- The Secretary of HUD should not waive the 50% requirement that funds support low- and moderate-income individuals, and should require that state plans for using the CDBG funds demonstrate how they will adequately address the needs of all groups affected by the hurricane.